

## **MEMORANDUM**

September 20, 2001

**TO:** Members, EOF Board of Directors

**FROM:** Glenn B. Lang, Executive Director

**SUBJECT:** Resolution 6:02 Approval of FY2003 EOF Budget Policy Statement & Funding Request for Article III Summer and Academic Year Undergraduate & Graduate Student Grants, Article IV Summer and Academic Year Student Support Services, Martin Luther King Physician-Dentist Scholarship, and C. Clyde Ferguson Law Scholarship

### **Introduction**

Attached for your consideration is the fiscal year 2003 budget policy statement and funding request for the Educational Opportunity Fund, the Martin Luther King Physician-Dentist Scholarship, and the C. Clyde Ferguson Law Scholarship. In addition to setting policies and priorities for the statewide program, the EOF Board is also responsible for developing a budget request, which outlines the program's funding needs. This budget request is shared with the Commission on Higher Education for inclusion in its statewide budget policy statement and funding request to the Governor and the Legislature.

The New Jersey Educational Opportunity Fund (EOF) was created by law to ensure access to higher education for those burdened by economic and educational disadvantages. EOF provides access to higher education for highly motivated students who exhibit the potential for success but for whom (because of backgrounds of extreme hardship) the likelihood of attending college is remote without the services and support of the program. To ensure such individuals the opportunity to attend college, EOF supplies supplemental financial aid to help defray the costs of attendance such as tuition (at independent institutions), fees, books, and room and board. To ensure that students have a viable opportunity to succeed and graduate, EOF supports an array of campus-based adaptive and academic support services.

The Board's has clearly indicated that its main priority for FY 2003 is strengthening the capacity of campus EOF student services. Despite small increases in Article IV during FY 1996 and 1999, the state's support for the direct student services components of EOF has fallen significantly below the rate of inflation since fiscal year 1995. As a result, and despite the conscientious implementation of a wide range of efficiencies and quality improvements at both the state and campus levels, there has been a progressive erosion of services, an increasing inability of campus programs to compete for top notch staff, and the inability to broaden the capacity of campus programs to respond to the growing developmental and academic needs of students. The CHE/EOF office has also received a

proposal from Warren County Community College to initiate a new EOF program extending opportunity and support to potentially eligible students in that region. Without an increased appropriation the Board will not have the resources to respond to the college's proposal. The requested increase of \$2.656 million will help reduce the erosion and begin, in earnest, movement toward offering cutting-edge program services and academic support that reflects nationally recognized research and benchmarks for the particular student population the state has mandated EOF to serve.

The Board is also requesting an increase of \$1.5 million for Article III academic year student grants. These grants help defray some of the costs of college attendance not covered by the state's Tuition Aid Grant or federal Pell Grants. As measured by annual family income, over the years EOF students have become progressively poorer in comparison to the state's median family income. The median family income of all EOF students is \$19,203, which is \$ 46,043 less than the median family income for all New Jersey residents.

**Total EOF FY 2002 Funding Request**

(\$000)	FY 2002	FY 2003	
	Appropriation	Request	\$ Incr.
<b>Article III</b>			
Student Grants & Summer Programs -	\$21,910	\$23,410	\$1,500
<b>Article IV</b>	11,385	\$14,041	\$2,656
<b>Total Request</b>	<b>\$33,295</b>	<b>\$37,451</b>	<b>\$4,156</b>

## **Discussion**

### **EOF Serves a Vital Public Policy Role**

The state has experienced major demographic, economic, and social changes since the creation of the Educational Opportunity Fund by the legislature in 1968. New Jersey has joined the developing global marketplace fueled by an information technology revolution and the concomitant growth of service industries no longer tied to the urban areas of the state. The result has been a significant decline of the state's heavy manufacturing base and the tremendous shift of employment from the state's urban cores to the suburbs and emerging fringe communities.

In this "new economy", the attainment of post-secondary education credentials by its residents is even more critical for New Jersey than at the program's inception. The completion of a higher education draws a sharp line between those individuals, families, and communities that are experiencing the benefits of the new economy and those who are being left behind. In this environment, EOF assumes for the state an important public policy model as it creates advancement and a bridge to the new economy for those who remain in communities that have not participated in the economic and social transformation of the past decade. It is also the door of opportunity for highly motivated students in public school districts that by all objective measures are not performing as well as desired.

EOF is vital to New Jersey. The Fund serves as higher education's major lasting and successful initiative for access and opportunity for individuals from backgrounds and circumstances least conducive for college enrollment and full participation in the state's workforce and prosperity. EOF is the only state-supported initiative that specifically targets and prepares individuals from disadvantaged backgrounds to earn associate, baccalaureate, graduate, and professional degrees, which serve as critical prerequisites to participate in and receive the benefits of the new economy. The Fund is not an entitlement program but rather a program that provides academic support linked to financial assistance. EOF is not a race-based or exclusionary program but rather targets low-income, first-generation college students from every county and major community in the state.

### **EOF is a Unique Program**

EOF is distinguished from other student assistance and access programs by the scope of its mission and the comprehensiveness of its program design. The campus programs feature elements that have been cited in national studies as crucial for the success of disadvantaged students. These elements include linking student financial assistance to intensive academic support services, a structured pre-freshman summer program and freshman-year experience for most or all participants, an emphasis on academic success, extensive student service contacts by dedicated staff and a corps of EOF professionals with strong institutional attachments.

Each participating institution selects those students who, based upon the staff's professional judgment, demonstrate commitment and motivation and have a reasonable

chance of success with the services provided at that institution. EOF students are expected to meet high standards. The program provides the extra support that may be necessary to make up for prior educational disadvantages or to help students negotiate difficult life circumstances. However, EOF students are required to make satisfactory academic progress to continue to receive program services and financial assistance, and EOF students must meet the same graduation standards required of all students.

The program continues to be the main avenue to higher education for deserving students from the state's most distressed communities and households. Over the past decade, the Fund has been challenged to provide access and produce successful outcomes for a population of students relatively poorer in comparison to the state's general population, and increasingly isolated from the incredible economic opportunities and changes that have occurred in the rest of the state.

**Table 1**  
**Ratio, EOF Median Income as a Percentage of NJ Median Family Income<sup>i</sup>**

	<b>New Jersey Median Family Income</b>	<b>EOF Median Family Income</b>	<b>EOF Median as a % of the State Median Family Income.</b>
<b>1970</b>	\$11,400	\$5,000	45%
<b>1980</b>	\$23,583	\$7,670	32%
<b>1990</b>	\$47,257	\$13,507	29%
<b>1994</b>	\$51,526	\$13,252	26%
<b>1995</b>	\$52,323	\$15,595	30%
<b>2000</b>	\$65,246	\$19,203	29%

Source: NJ Commission on Higher Education/EOF Central Office  
NJ Department of Labor, State Data Center  
Census 2000 Supplementary Survey, QT-03 Profile of Selected Economic  
Characteristics: 2000

Currently, the EOF Regulations set family eligibility for the program at 200% the federal poverty level. While the Board has raised the Fund's income eligibility to expand the pool of potential students, the income profile of the actual student population has remained extremely low. For example during fall 2000 while the income eligibility ceiling for a family of four was \$33,400, the actual median family income of the EOF freshman from family size four was \$23,136 (2 parents) and \$19,680 (single parent).

### **FY 2003 Funding Priorities**

The Fund has initiated a wide range of efficiencies and quality improvements at both the state and campus levels. However, there are serious structural funding issues that threaten program quality and student affordability; especially the funding erosion resulting from inconsistent state support for campus-based programs and services. The Fund's critical funding priorities for fiscal year 2003 are aimed at: a) strengthening the capacity of institutions, through their campus EOF programs, to improve student performance and persistence, b) targeting majors and careers where there are looming state employment shortages (e.g., nursing and urban teaching corp.) and in which

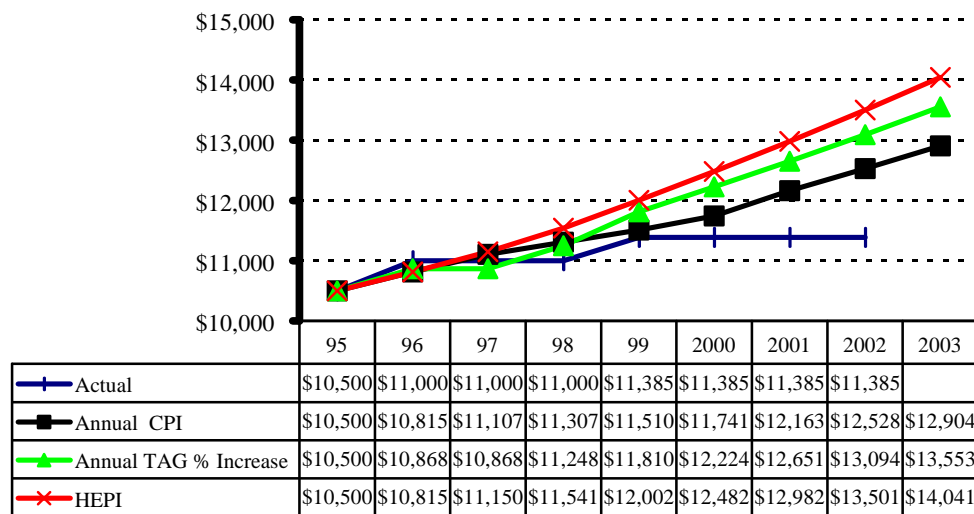
minorities and students from low-income backgrounds are underrepresented, and c) ensuring EOF students can continue to afford to attend New Jersey colleges and universities .

#### **Article IV**

The Board's top priority is strengthening the capacity of campus EOF student services. Despite small increases in Article IV during FY 1996 and 1999, the state's support for the direct student services components of EOF has fallen well below the rate of inflation since fiscal year 1995. These funds are allocated to institutions based on the number of students served and a rigorous evaluation of the effectiveness of the services provided. Participating institutions are required by regulation to provide matching funds (dollar for dollar) to cover the administrative, staff and other costs associated with the operation of academic year campus support programs. Article IV is used to support this programming during the regular academic year (fall and spring semester). The allocation made to each campus program funds an array of specially designed retention efforts including developmental and supplemental academic courses, counseling, tutoring, career exploration, and student leadership development. In addition, Article IV funds have been available on a limited basis to support special projects to improve student performance in targeted majors or courses, as well as for system-wide collaborative projects. Special project funding has included programs to assist students in entering math, science, and technology fields, and to pursue graduate and professional study. Special project funding may also pay for programming to encourage respect for cultural diversity and to prepare students for the transition to the working world. The Article IV appropriation is also used to fund instruction and support services for activities and courses provided specifically for the EOF pre-freshman summer program.

Clearly, the value of the EOF Article IV appropriation and resulting student services it provides on campus for EOF students has fallen significantly behind all inflation benchmarks including the Consumer Price Index (CPI), the comparable rate of annual percentage increases in state appropriations for the Tuition Aid Grant program, and the Higher Education Price Index (HEPI) that represents the national average cost increases in higher education each year.

**Table 2**  
**Article IV Appropriations Vs Inflation-Benchmark Projections**



While comparisons to a number of benchmarks demonstrate how the EOF appropriation for student services has fallen behind, it is equally important to discuss how any potential increases would be targeted and distributed. Over the years the EOF Board has worked with participating institutions to insure EOF programs provide services based upon the most current research and practices. The Fund has redefined the concept of educational access to move well beyond the notion of meeting enrollment targets to aggressively developing strategies to improve student persistence. With the increasing sophistication of data collection and information management, the Fund is prepared to extend and develop initiatives to improve student transfer and graduation rates.

An increase in Article IV program support will be essential to move beyond current programming standards and begin to address the challenges to improve graduation rates and to increase the number of students prepared to enter the highly technical academic majors and career fields demanded in New Jersey's job market today. An increased appropriation will also make it possible to respond favorably to Warren County Community College's desire to start a new EOF program.

In discussing the best use of additional Article IV, the Board has considered a number of key parameters and priorities to guide the distribution of any future Article IV appropriation increase(s):

- Use measures such as the EOF Program Performance Criteria combined with an assessment of institutional commitment/support to help guide the distribution of "new" Article IV appropriations.
- Target a portion of any "new" Article IV appropriations to provide additional support to institutions that have excessive EOF student/staff ratio.

- Support expanded summer programs and pilot projects including structured renewal summer programs designed to improve retention and increase enrollment in diverse majors and fields where EOF students have been underrepresented.
- EOF special initiatives - this would be a competitive funding process to stimulate program innovation in a number of targeted areas: initiatives to improve EOF students preparation for majors requiring strong analytical, math and science backgrounds; program development targeted to improve student performance in academic courses that institutions have identified as gateway courses -- important prerequisites, yet major barriers to student academic progress; early-intervention/pre-college programming; and initiatives that address the Board's concern about developing a stronger connection with the world of work.

#### **Total Article IV Increase Request \$2.65 million**

#### **Article III**

Article III provides supplementary financial aid grants during the academic year to eligible undergraduates to help defray college attendance costs not covered by the Federal Pell Grant and the New Jersey Tuition Aid Grant (TAG) programs. Article III funds also provide grants to eligible students to pursue graduate and professional study. Additionally, Article III supports summer cost of education expenses (tuition, fees, room, board, books, stipends and insurance) for students enrolled in the EOF pre-freshman summer programs and for a limited number of EOF continuing students (renewals).

During the past fiscal years the state has begun to address long-standing funding problems that have affected the Article III components of the program. The fiscal year 1996 appropriation provided the first grant increase for students in almost a decade. The fiscal year 1997 appropriation provided for direct funding of the summer program, replacing dependence on unreliable carry forward balances. The fiscal year 2001 appropriation provided student grant increases of \$100 and \$200 per student at public and independent institutions, respectively.

Despite these increases EOF students still encounter unmet financial need which often requires them to assume student loans that average 40% - 60% of their families' annual pre-tax income, depending upon the institutions where they are enrolled.

We are proposing for the Governor's consideration the following:

- **Increase Article III Academic Year undergraduate student grant awards** – Even in concert with the State's Tuition Aid Grants and the Federal Pell grants assistance for EOF student grants have not kept pace with the costs of college attendance. New Jersey's poorest students are therefore faced with increasingly high levels of unmet need, (after grants and scholarships) which their families cannot afford (in terms of the parental contribution expected for each student), resulting in high loan indebtedness. The Board proposes increasing the EOF academic year grants as follows:

<b>Sector</b>	<b>Current Grant Maximum</b>	<b>Proposed</b>	<b>Difference</b>
County	\$ 850	\$ 950	\$100
Senior Public	\$1,200	\$1,300	\$100
Independents	\$2,300	\$2,500	\$200

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## **OTHER PROGRAMS ADMINISTERED BY THE EOF BOARD**

### **C. Clyde Ferguson Law Scholarship**

The C. Clyde Ferguson Law Scholarship was established by an act of the Legislature to assist students who are from economically disadvantaged or minority backgrounds and are enrolled at the Rutgers School of Law at Camden, the Rutgers School of Law at Newark and the Seton Hall School of Law. The legislation permits grants up to the cost of tuition, fees, room and board at Rutgers School of Law at Newark, which will average \$21,474 for academic year 2001-2002. Unfortunately, the Ferguson appropriation has never been increased since the scholarship's inception and does not even meet tuition costs today.

Each of the three law schools is allocated one-third of the funding to be used for up to 20 scholarships, or a total of 60 scholarships, and each school has addressed the funding limitations differently. In 1999-2000, Camden Law provided grants of approximately \$6,150 to 10 students; Newark Law paid 13 students an average of \$5,238; and Seton Hall provided 20 scholarships averaging \$3,333 each.

For FY 2003, the Commission requests \$1,288,440 to provide grants to 60 students at the tuition, fees, room and board rate at Rutgers-Newark for academic year 2001-2002, as provided in the legislation.

### **Martin Luther King Physician/Dentist Scholarship**

The Martin Luther King Physician-Dentist Scholarship was established in FY 1988 by an act of the Legislature to provide additional grant funds for New Jersey medical and dental students who are from disadvantaged or minority backgrounds and are enrolled at the University of Medicine and Dentistry of New Jersey. The appropriation for the King scholarship has remained level since FY 1992, although the enabling legislation authorizes grants up to the cost of tuition, which is currently \$17,362 at the medical schools. In FY 2000, 52 grant recipients received an average grant of \$11,577. The 52 students were distributed as follows: 11 in New Jersey Dental School, 20 at New Jersey Medical School, 9 at the School of Osteopathic Medicine, and 12 at the Robert Wood Johnson Medical School.

For FY 2003, the Commission requests \$1,041,720 to provide grants to 60 students at the 2001/2002 tuition rate of \$17,362.

	<u><b>FY2002 Level</b></u>	<u><b>FY 2003 request</b></u>	<u><b>Increase</b></u>
<b>C. Clyde Ferguson Scholarship</b>	\$200,000	\$1,288,440	\$1,088,440
<b>Martin Luther King Scholarship</b>	\$602,000	\$1,041,720	\$439,720

## **RESOLUTION 6:02**

### **Approval of FY2003 EOF Budget Policy Statement & Funding Request for Article III Summer and Academic Year Undergraduate & Graduate Student Grants, Article IV Summer and Academic Year Student Support Services, Martin Luther King Physician-Dentist Scholarship, and C. Clyde Ferguson Law Scholarship**

- WHEREAS:** The Educational Opportunity Fund Board of Directors is responsible for the development of the annual budget request for the Educational Opportunity Fund, C. Clyde Ferguson Law Scholarship and Martin Luther King Physician-Dentist Scholarship; and
- WHEREAS:** The Board has directed the Commission on Higher Education/EOF office staff to use its policy and funding priorities to guide the development of the Board's FY2003 funding request; and
- WHEREAS:** The Board has reviewed the performance of campus programs, student outcomes and funding patterns and is seriously concerned by the progressive erosion of campus programs and the Fund's inability to respond to the growing needs of students; and
- WHEREAS:** The Board is obliged to continue meeting the Fund's statutory mission of providing educational opportunity to the state's neediest students; and
- WHEREAS:** After careful deliberation the Board has identified three critical program concerns that warrant funding increases: 1) strengthening the capacity of institutions, through their campus EOF programs, to improve student performance and persistence, 2) targeting majors and careers where there are looming state employment shortages (e.g., information technology, nursing and the urban teaching corp.) and in which minorities and students from low-income backgrounds are underrepresented, and 3) ensuring college affordability for EOF students; now, therefore be it
- RESOLVED:** That the EOF Board of Directors approves the FY2003 Budget Policy Statement and funding request as presented in the attached materials; and be it further

**RESOLVED:** That the EOF Board of Directors recommends these materials and this resolution to the Commission on Higher Education and Governor's Office as the official Educational Opportunity Fund FY2003 Budget Policy Statement and Funding request for inclusion in the Commission's budget policy statement and related funding request to the Governor and Legislature.

**September 20, 2001**

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